

SPENDING AFFORDABILITY COMMITTEE

REPORT

FISCAL YEAR 2000



BALTIMORE COUNTY, MARYLAND

FEBRUARY 15, 1999



**BALTIMORE COUNTY, MARYLAND
SPENDING AFFORDABILITY COMMITTEE**

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February 15, 1999

Honorable Members of the Baltimore County Council
Honorable C.A. Dutch Ruppertsberger, III, County Executive

I am pleased to submit the report of the Spending Affordability Committee for Fiscal Year 2000. This is the ninth year of reporting under the County's Spending Affordability statute, which was adopted in March 1990.

For the third consecutive year, the Committee gave special attention to the objectives of the Spending Affordability Guideline, including consideration of total Estimated General Fund Revenues. The Committee reaffirmed its policy that only spending for essential government services should be linked to growth in the County economy. Accordingly, the Spending Affordability Guideline established for Fiscal Year 2000 excludes a number of spending items, including costs which are discretionary, capital-related or funded by non-County sources. The Committee also recognizes the need to control government spending to ensure that current expenses in excess of current revenues or from unreserved balances are used only for one time items such as contributions to the Revenue Stabilization Reserve Account or Capital budgets.

Accordingly, for Fiscal Year 2000, the Committee establishes a Spending Affordability Guideline of \$905,849,854, based on a personal income growth forecast of 4.96%. Moreover, the Committee's preliminary estimate of Fiscal Year 2000 General Fund revenues totals \$1,089,000,000, which is \$183,150,146 above the spending guideline. The Committee recommends that these funds be limited to ongoing current expenses (e.g., debt service, reserve funds, local grants, etc.) and other one-time expenses such as contributions to the capital budget to the extent that revenues are available. The Committee also identified an estimated unreserved fund balance totaling \$69,475,000 in excess of the County's 5 percent target reserve. This fund balance should be eliminated through tax rate reductions or be used for one time expenses such as contributions to the capital budget. These funds should not be used to support ongoing expenses.

Further, as reflected in our recommendations, the Committee continues to believe that capital budget spending should be limited to a level that can be funded within specific, reasonable debt affordability guidelines based on County revenues, personal income levels and property values.

It is important to emphasize that the Spending Affordability Guideline is a guide, and represents neither a ceiling nor a floor on County government operating or capital expenditures. The Guideline is established to control spending such that it is affordable and yet, at the same time,

provides essential services to County citizens.


The Committee hopes that our remaining meetings will be equally productive this year, as we continue to focus on issues related to measuring County economic growth, projecting revenues and expenditures, and funding capital debt.

I would like to thank my Council colleagues on the Committee for their energetic participation in the committee process, and their thoughtful assistance to me as Chairman. I would especially like to thank Dr. Dennis C. Coates, of the University of Maryland Baltimore County, who again contributed his economic expertise, and Mr. John F. Gaburick who has served on this Committee since its inception and whose long term perspective on the Committee's role remains invaluable. In addition, the Regional Economic Studies Institute at Towson University, represented by Michael A. Funk, provided the Committee with its personal income forecast, as well as other valuable economic analysis and insights.

I would also like to acknowledge the support of the Auditor's Office and Council staff. A very special thanks to Thomas J. Peddicord, Jr., Legislative Counsel/Secretary, Brian J. Rowe, CPA, County Auditor, Paul R. Maihan, Director, Budget Analysis and Fiscal Research, Marc L. Nicole, Manager, Budget Analysis and Fiscal Research, Elizabeth J. Farber, Fiscal Analyst, and Michelle F. Ganjon, Fiscal Analyst Assistant, for their great help and spirit of cooperation.

We hope that this report is useful in the development and review of the County's budget for Fiscal Year 2000.

Sincerely,

A handwritten signature in black ink, appearing to read "SG Samuel Moxley". The signature is fluid and cursive, with the initials "SG" at the beginning.

S.G. Samuel Moxley, Chairman
Spending Affordability Committee
Councilman, 1st District

SGSM:mfg

BALTIMORE COUNTY, MARYLAND SPENDING AFFORDABILITY COMMITTEE

MEMBERS

S.G. Samuel Moxley, Councilman and Chairman

T. Bryan McIntire, Councilman

Wayne M. Skinner, Councilman

Dr. Dennis C. Coates
Department of Economics
University of Maryland Baltimore County

John F. Gaburick, CPA

STAFF

Brian J. Rowe, CPA
County Auditor

Thomas J. Peddicord, Jr., Esquire
Legislative Counsel/Secretary

Paul R. Maihan
Director of Budget Analysis and Fiscal Research

Marc L. Nicole
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TABLE OF CONTENTS

	<u>Page</u>
Executive Summary.....	1
Introduction.....	3
Spending Affordability Guideline.....	4
Defining “Base” Spending.....	4
Determining the Personal Income Growth Factor: Assessing the Economy.....	5
Current Economic Conditions and Outlook: United States, Maryland and Baltimore County.....	5
Recommendation - Fiscal Year 2000 Spending Affordability Guideline	7
Debt Affordability	8
Other Issues	9
Appendix A.....	10
Appendix B.....	12

Attachments:

- Exhibit A Baltimore County and Maryland Personal Income Forecasts
- Exhibit B General Fund Spending and Personal Income
- Exhibit C Fiscal Year 2000 Guideline
- Exhibit D Debt Service to Total General Fund Revenues
- Exhibit E Total Debt to Personal Income
- Exhibit F Total Debt to Full Value
- Exhibit G Base Spending Versus Personal Income
- Exhibit H Authorized and Unissued Debt Amounts

BALTIMORE COUNTY, MARYLAND

SPENDING AFFORDABILITY COMMITTEE

Report for Fiscal Year 2000

Executive Summary

The Baltimore County Spending Affordability Committee submits its report for Fiscal Year 2000, the ninth report since the Committee was established. This report reflects a continuation of last year's policies which made certain refinements to the calculation of the Spending Affordability Guideline in an effort to better serve the goal of insuring that the level of County spending be affordable while at the same time provide essential services to County citizens. This year, the Spending Affordability Guideline again applies only to that portion of the General Fund budget, basic County-funded operating costs, which may be appropriately linked to growth in the County economy. Additionally, the Committee again reviewed preliminary revenue estimates in conjunction with setting the Guideline in order to address funding for the entire General Fund operating budget, including the portion to which the Guideline is not applied.

The Committee continues to agree that personal income growth is a good indicator and an appropriate measure of growth in the County's economy. Based on current personal income growth projections, **the Committee recommends that growth in spending for those items subject to the Spending Affordability Guideline, be limited to 4.96 percent over Fiscal Year 1999 spending, and thus not exceed \$905,849,854 for Fiscal Year 2000 (Exhibit C).**

Moreover, the Committee's preliminary estimate of Fiscal Year 2000 General Fund revenues totals \$1,089,000,000, which is \$183,150,146 above the spending guideline. The Committee recommends that these funds be limited to ongoing current expenses which are not subject to the guideline (e.g., debt service, reserve funds, local grants, etc.), and other one-time expenses such as contributions to the capital budget to the extent that revenues are available. The Committee also identified an estimated unreserved fund balance totaling \$69,475,000 in excess of the County's five percent target reserve.

This fund balance should be eliminated through tax rate reductions or be used for one-time expenses such as contributions to the capital budget. These funds should not be used to support ongoing expenses.

Finally, the Committee reaffirms its recommendations in the area of debt policy: First, that the amount of debt outstanding be limited so that total tax-supported debt service (on all long-term obligations other than pension bonds) remains at a level that is less than 10 percent of General Fund revenues; second, that total outstanding tax-supported debt remain below 3.0 percent of County personal income; third, that the ratio of debt to full value of property in the County be maintained below the 2.5 percent level; and fourth, that the annual capital budget be limited to a level that can be funded within these debt affordability guidelines.

Introduction

In March 1990, the Baltimore County Council enacted legislation (Bill 33-90) which established a spending affordability law (Code sections 15-281 to 15-287) for Baltimore County. To ensure that growth in County spending does not exceed the rate of growth of the County's economy, the law mandates that the Spending Affordability Committee make a recommendation each fiscal year on a level of County General Fund spending that would be consistent with the economic growth of the County.

By law, a Spending Affordability Committee Report must be submitted to the County Council and County Executive by February 15 of each year. This reporting date allows the Executive ample time to consider the Committee's recommendations prior to formal presentation of the proposed budget to the Council on or before April 16 of each year. The purpose of this report is to provide formal input, from the County Council to the County Executive, related to the budget formulation process. Such reporting is thereby a significant component of the governmental system of checks and balances, helping to ensure that the operation of County government remains affordable for County citizens. The guideline is intended to set a recommended maximum County spending level which should not be exceeded in a particular fiscal year. To date, the County Executive has not proposed and the County Council has not adopted a budget that has exceeded the Committee's recommended guideline. Our hope is that the budget for Fiscal Year 2000 is again within the Committee's recommended guideline.

SPENDING AFFORDABILITY GUIDELINE

The Spending Affordability Guideline for a given fiscal year is calculated by applying a personal income growth factor to the previous year's estimated "base" spending level, as defined by the Committee. Specifically, the recommended level of spending is calculated as follows:

General Fund Operating Budget Appropriations (previous fiscal year)
+ Supplementary appropriations
- Spending Adjustments (selected non-County funds, capital-related items, reserve funds, local grants and other adjustments itemized in Appendix A)
= Spending Affordability Committee "Base" Spending (previous fiscal year).

Spending Affordability Committee "Base" Spending (previous fiscal year)
x Growth Factor (projected personal income growth)
= Spending Affordability Committee Spending Guideline (new fiscal year).

This methodology yields an adjusted Fiscal Year 1999 base spending level of \$863,042,925 to which the Committee's FY 2000 personal income growth factor (4.96%) is applied. The result is the Committee's recommended Spending Affordability Guideline for FY 2000, or \$905,849,854. This guideline represents an increase of \$42.8 million in base-line spending for FY 2000.

Defining "Base" Spending

In 1997, the Committee reconsidered the use of the prior year's total General Fund Operating Budget as the starting point, or "base", for spending affordability. Concluding that specific components of the County budget are not, or should not be, linked to County economic growth, the Committee decided to limit the "base" to particular types of ongoing operating expenditures. This approach to establishing spending affordability was reaffirmed this year. Specific items excluded from this spending "base", and the rationale for their exclusion, are outlined in **Appendix A**, page 10.

Determining The Personal Income Growth Factor: Assessing The Economy

The Committee first concluded in 1997 that it may be appropriate to make adjustments to a particular personal income growth forecast, for use in the spending affordability computation. That decision reflected the Committee's appreciation of the challenges of forecasting, and its recognition of the fact that personal income growth may not always be a reliable gauge of the County's underlying economic growth (e.g., in instances of unusually high one-time capital gains, or increases in unearned income and transfer payments). For the past two years, the Committee adopted a consensus average of several personal income growth forecasts to estimate the overall growth in County base spending. This year, the Committee again considered using a consensus average. However, noting that currently available forecasts, which were developed based on third quarter 1998 economic data, were too modest in light of the recent performance of certain economic indicators, the Committee obtained a more current forecast from its independent consultant, the Regional Economic Studies Institute - Towson University (RESI). Based on current economic data, RESI revised its forecast for personal income growth in Baltimore County for FY 2000 upward from 4.55% to 4.96%. The Committee agreed with and adopted RESI's revised forecast.

The Committee continues to believe that a consensus average of personal income growth forecasts is appropriate for determining the overall growth in County spending. However, the Committee is concerned that in the event of an economic surge or downturn, current forecasts may not be available (as was the case this year) from all of the forecasters which were used to develop the consensus average. This issue will be explored in greater detail in the coming months.

Current Economic Conditions And Outlook: United States, Maryland & Baltimore County

The recent performance of the U.S., Maryland and Baltimore County economies has been strong. The U.S. economic expansion is now 94 months old, the longest "peacetime" economic expansion in history. Most economists agree that the low interest rate and inflation environment, coupled with strong domestic demand, will continue to sustain, through 1999 and beyond, the economic expansion that started in the U.S. in April 1991 and a bit later in Maryland.

The economic performance of the last few years has been impressive with the real, inflation- adjusted, U.S. economy expanding by 3.4 percent, 3.8 percent, and 4.1 percent, in 1996, 1997, 1998, respectively.

Maryland's economic performance, for the most part, parallels the U.S., with perhaps a bit weaker growth in 1996, a bit stronger growth in 1997, and about equal growth in 1998.

Strong growth has sent the national unemployment rate to levels not seen since the early 1970s. Currently, the national unemployment rate of 4.4 percent is the lowest since 1970, and for 1998, it averaged 4.5 percent, the lowest annual peacetime rate since 1957, surpassed only by the 3.4 percent rate in 1969 during the Vietnam War. Maryland's and Baltimore County's employment settings are likely to mimic the national pattern since research indicates that 96 percent of the employment fluctuations in Maryland can be explained by U.S. fluctuations. The nonseasonally- adjusted unemployment rate in Maryland, in December 1998, stood at 3.5 percent, down from 4.2 percent in November and 4.5 percent a year earlier. Maryland added over 42,000 new jobs in 1998, the third best annual employment growth in the 1990s, with the State unemployment rate also near a decade low. Baltimore County's unemployment rate is similarly well below the U.S. rate. In December 1998, the unemployment rate in Baltimore County was 3.7 percent, down from 4.3 percent in December 1997. Ironically, Baltimore County's and Maryland's low unemployment rates and limited labor resources may be one factor that limits job growth and overall economic performance in the coming years.

Finally, recent data from the U.S. Bureau of Economic Analysis indicate that after a stellar performance in 1997, when personal income in Maryland increased by 5.7 percent (a little ahead of the national rate of increase of 5.6 percent), the current rate of personal income growth in Maryland continues on par with or slightly ahead of the national trend. Over the first quarter of 1998, personal income in Maryland expanded at an annual rate of 4.6 percent, compared to a U.S. rate of 5.1 percent. Starting in the second quarter and continuing through the third quarter, however, Maryland's personal income growth rate began to surpass the national rate. In Maryland, personal income in the second and third quarters of 1998 advanced, at a year-over-year annual rate, by 5.2 percent and 5.3 percent, respectively, while the national rate increased by 5.1 percent and 5.2 percent, respectively.

As Maryland's economic growth parallels the nation's, Baltimore County's economic growth parallels Maryland's, but on average, at a slightly lower rate of increase. A more detailed analysis of personal income patterns in Maryland and Baltimore County can be found in **Appendix B**, page 12.

Recommendation - Fiscal Year 2000 Spending Affordability Guideline (Exhibit A)

Applying the personal income growth rate of 4.96% to the Fiscal Year 1999 base spending yields the maximum recommended growth in spending subject to the Spending Affordability Guideline. **Specifically, the Committee recommends a maximum FY 2000 General Fund base spending level of \$905,849,854. The Committee further reports a preliminary FY 2000 General Fund revenue estimate of \$1,089,000,000, which is \$183,150,146 above the spending guideline.** The Committee recommends that these funds be limited to ongoing current expenses not subject to the guideline (e.g., debt service, reserve funds, local grants, etc.), and other one-time expenses such as contributions to the capital budget to the extent that revenues are available. As a comparison of revenue growth, FY 1998 General Fund revenues were \$1,031,700,000 and FY 1999 General Fund revenues are estimated at \$1,070,000,000. If estimated General Fund revenues materialize, revenues will have increased by 7.1% in FY 1998, 3.7% in FY 1999 and 1.8% in FY 2000. The Committee's revenue estimates are preliminary and will be adjusted as necessary as additional information becomes available.

The FY 2000 revenue estimate noted above does not include the \$127.4 million unreserved General Fund balance that is expected to be available at the start of FY 2000. (The \$127.4 million estimate includes \$32.2 million expected to be designated for the Revenue Stabilization Reserve Account (RSRA) at the end of FY 1999.) The Committee recognizes that the total fund balance is an important indicator for sound fiscal policy and helps to maintain the County's AAA bond rating. The County's current financial guidelines set a target for a total fund balance equal to 5% of General Fund spending (including the RSRA, which is mandated by Code to reach at least 3% of budget). This 5% target would total \$57,925,000, based on the estimated Fiscal Year 2000 total available General Fund resources, leaving over \$69.5 million above the County's 5% target reserve.

In accordance with the County's financial guidelines, these funds should be eliminated through tax rate reductions or used for one-time expenditures such as contributions to the capital budget or repayment of debt.

They should not be used for ongoing expenses. The Committee will continue to monitor carefully the level and uses of General Fund balances, both designated and undesignated.

Debt Affordability

The Committee has included debt affordability and capital budget recommendations in its last three reports; this report reaffirms the previously established guidelines as reasonable and fiscally sound.

The Committee reviewed and discussed updated information on total debt and debt service trends over time, measured by reference to property values, personal income, General Fund revenues, and other indicators. County finance and budget officials, and their advisors, monitor these trends carefully. The Committee believes that its review of debt affordability and the setting of specific guidelines provides an enhanced system of checks and balances, further demonstrating the County's fiscal responsibility to its citizens, bond rating agencies and others in the financial community. The Committee recommends that the annual capital budget and capital program be controlled such that the projected issuance of new tax-supported debt does not raise total outstanding debt or annual debt service above the levels specified in this report. As in past years, the Committee excluded pension funding bonds from the recommended guidelines. These bonds are issued to finance the unfunded liability of closed pension programs; as such, they provide net current General Fund cost savings.

The ratio of debt service to total General Fund revenues is a key debt affordability indicator. The basic benchmark set by credit analysts is that a ratio over 10% (excluding pension bonds) indicates that the debt burden is too heavy. The Administration's financial guidelines set a target range of between 8.0 to 9.0%; the County's actual Fiscal Year 1998 ratio is 6.6% (excluding pension bonds) (See Exhibit D). **The Committee recommends that the debt service ratio (excluding pension bonds) be maintained below the 10% level.**

Personal income is perhaps the most comprehensive indicator for measuring the debt burden, because it takes into account earnings of County taxpayers that reasonably could be taxed to pay debt service and County operations. The Administration's financial guidelines set a debt to personal income ratio in the range of 2.0 to 2.5% (excluding pension bonds); the Fiscal Year 1998 ratio is 2.1% (2.0% excluding other borrowings as well as pension bonds) (See Exhibit E). **The Committee recommends that the debt to personal income ratio (excluding pension bonds) be maintained below the 3.0% level.**

The ratio of debt to property value is an indicator of the burden that debt places on the property tax base. The County Charter provides that total County debt outstanding shall not exceed 10% of the County's assessable base (reflecting the 40% assessment ratio for real property). The Administration's financial guidelines set a debt to full value ratio (excluding pension bonds) in the range of 1.4 to 2.0%, which equates to an assessed value ratio of 3.5 to 5.0%; the actual Fiscal Year 1998 full value ratio, excluding pension bonds, is 1.2% (1.1% excluding other borrowings) (See Exhibit F). **The Committee recommends that the debt to full value ratio (excluding pension bonds) be maintained below the 2.5% level.**

Other Issues

As the Committee continues to review an increasingly broad range of issues, it recognizes the importance of continued meetings after issuance of the annual report. The Committee will, therefore, continue to meet during 1999 to discuss such topics as refining revenue and budget projections for use in setting the guideline; examining the relationship between personal income growth and County revenue and budget growth; analyzing other relevant indicators of County economic growth and spending affordability; and examining the wide range of capital budget and debt affordability issues, including the relationship between debt service and the personal income guidelines.

APPENDIX A

Spending Not Subject To Personal Income Growth

Appropriations supported or determined by non-County funds:

- State and federal grants budgeted in the General Fund: these funds support State and/or federal programs/activities which are not directly supported by County taxpayers and therefore are not dependent upon or controlled by the growth in County personal income.
- Local Share - State and Federal Grants: the total required County General Fund match for all anticipated grants is based on the level (and match provisions) of grant funding. Acceptance of State and federal grants is discretionary.

- Education - Federal/Restricted Programs: the required County General Fund match for such funds in the Department of Education is similarly based on the level (and match provisions) of grant funding.

Capital budget-related appropriations:

- Pay-As-You-Go (PAYGO): the General Fund contribution to the capital budget, if any, is determined annually based on funds that are available and are not committed to supporting County services. Such expenditures may be viewed as one-time and, therefore, need not be limited to growth in personal income.
- Debt Service: the annual requirement is determined by prior and planned debt issuance, subject to separate debt affordability guidelines.

Reserve funds and contingencies:

- Revenue Stabilization Reserve Account (RSRA): appropriations or transfers to the RSRA do not represent expenditures but rather a reserve of funds available in the event of an emergency. These funds are required to equal at least 3% of the General Fund budget.
- Contingency Reserves: these funds are appropriated in the event of an unanticipated need (e.g., an emergency) and are not earmarked for a specific purpose or program. As such, this appropriation does not represent an expenditure but rather a reserve for contingencies. In the event that these funds are spent, the nature of the expenditure would be examined to determine its effect on baseline spending (e.g., one-time or ongoing).

Local grants:

- Grants awarded by the Commission on Arts and Sciences (budgeted as “Organizational Contributions”) are purely discretionary and may be viewed as one-time-only. As such, the level of funding is subject to the availability of revenues and/or surplus and need not be limited to growth in personal income.

Other Adjustments:

- Specific exclusions for one-time, nonrecurring costs or revenues.
- Supplemental appropriations which meet the above criteria for exclusion.
- Other expenditures or revenues, to be determined on a year-to-year, case-by-case, basis.

APPENDIX B**Economic Outlook for Maryland and Baltimore County**

This revised analysis, released recently by the Regional Economic Studies Institute - Towson University (RESI), is the basis for the Committee's Fiscal Year 2000 Spending Affordability Guideline.

REGIONAL ECONOMIC STUDIES INSTITUTE - TOWSON UNIVERSITY (RESI) FORECAST

		Personal	Income
Growth			
	<u>Maryland</u>	<u>Baltimore County</u>	
FY 1997	5.83% (e)	4.59% (e)	
FY 1998	5.02 (e)	4.73 (e)	
FY 1999	4.56 (f)	4.26 (f)	
FY 2000	5.22 (f)	4.96 (f)	

Source: Regional Economic Studies Institute, Towson University, February, 1999.

e=estimate

f=forecast

Personal Income

RESI projects that personal income in Maryland will rise 4.6 percent during FY 1999 following a 5.0 percent gain in FY 1998. For FY 2000 (1999:Q3 - 2000:Q2), RESI forecasts personal income growth in Maryland at 5.2 percent.

Historically, personal income growth in Baltimore County has trailed that of the State. The current forecast from RESI indicates that this trend will continue. RESI projects that total personal income in Baltimore County will rise 4.3 percent in FY 1999 following a 4.7 percent gain in FY 1998. Growth in Baltimore County personal income during FY 2000 is projected to rise by nearly five percent. (See Exhibit A for a detailed quarterly forecast).

BALTIMORE COUNTY AND MARYLAND PERSONAL INCOME FORECASTS
(MILLIONS OF CURRENT DOLLARS)

QUARTER	BALTIMORE COUNTY PERSONAL INCOME ESTIMATE	PERCENT CHANGE	BALTIMORE COUNTY PERSONAL INCOME FORECAST	PERCENT CHANGE	MARYLAND PERSONAL INCOME HISTORY	PERCENT CHANGE	MARYLAND PERSONAL INCOME FORECAST	PERCENT CHANGE
FY 98								
1997:3			\$21,954	1.19%	\$146,626	1.12%		
1997:4			\$22,258	1.39%	\$149,076	1.67%		
1998:1			\$22,412	0.69%	\$150,167	0.73%		
1998:2			\$22,563	0.67%	\$151,267	0.73%		
FY CHANGE				4.73%		5.02%		
FY 99								
1998:3			\$22,823	1.15%			\$153,107	1.22%
1998:4			\$23,103	1.23%			\$155,080	1.29%
1999:1			\$23,388	1.23%			\$157,087	1.29%
1999:2			\$23,675	1.23%			\$159,112	1.29%
FY CHANGE				4.26%				4.56%
FY 2000								
1999:3			\$23,964	1.22%			\$161,153	1.28%
1999:4			\$24,254	1.21%			\$163,203	1.27%
2000:1			\$24,545	1.20%			\$165,263	1.26%
2000:2			\$24,838	1.19%			\$167,333	1.25%
FY CHANGE				4.96%				5.22%

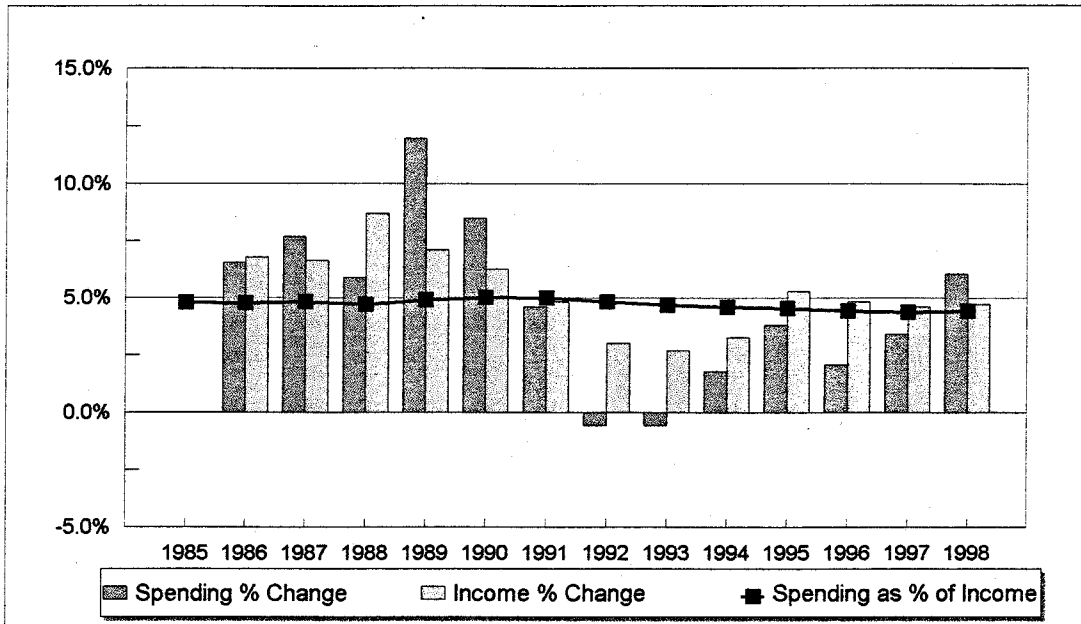
February 9, 1999

Sources:

RESI, Bureau Of Economic Analysis

EXHIBIT A

**BALTIMORE COUNTY, MARYLAND
GENERAL FUND SPENDING AND PERSONAL INCOME
FISCAL YEARS 1985 TO 1998**



Fiscal Year	Final General Fund Spending (\$Millions)	% Change	Balt. Co. Personal Income (\$Billions)*	% Change	Spending as % of Personal Income
1985	\$548.350	--	\$11.439	--	4.79%
1986	584.108	6.5%	12.214	6.8%	4.78%
1987	629.000	7.7%	13.024	6.6%	4.83%
1988	665.976	5.9%	14.156	8.7%	4.70%
1989	745.631	12.0%	15.160	7.1%	4.92%
1990	809.020	8.5%	16.109	6.3%	5.02%
1991	846.189	4.6%	16.887	4.8%	5.01%
1992	841.254	-0.6%	17.393	3.0%	4.84%
1993	836.438	-0.6%	17.860	2.7%	4.68%
1994	851.315	1.8%	18.442	3.3%	4.62%
1995	883.680	3.8%	19.418	5.3%	4.55%
1996	901.937	2.1%	20.355	4.8%	4.43%
1997	932.651	3.4%	21.290 E	4.6% E	4.38% E
1998	989.123	6.1%	22.297 E	4.7% E	4.44% E

* Average of the four calendar quarters falling within the fiscal year; see Exhibit A of this report.

The most recent actual data for Baltimore County Personal Income are for calendar year 1996. Estimates (denoted with "E") are from RESI.

Sources: Baltimore County Comprehensive Annual Financial Reports, Regional Economic Studies Institute - Towson University (RESI)

**BALTIMORE COUNTY, MARYLAND
FY 2000 SPENDING AFFORDABILITY COMMITTEE (SAC)**

FISCAL YEAR 2000 GUIDELINE

	<u>FY 1999</u>
General Fund Operating Budget	\$1,064,513,835
Supplementary Appropriations ¹	8,771,472
Sub-Total	<u>1,073,285,307 (A)</u>
SAC Adjustments:	
Selected Non-County Funds	
State and Federal Grants in Aid (excluding tax reimbursements) ¹	(24,721,950) ³
Local Share - State & Fed. Grants	(4,537,074)
Education - Federal/Restricted Program	(800,000)
Capital-Related Items	
Capital Contributions (PAYGO) ¹	(93,865,401)
Debt Service	(77,870,955)
Reserve Funds	
Revenue Stabilization Reserve Account	0
Contingency Reserve	(1,000,000)
Local Grants	
Arts & Science Grants	<u>(1,879,523)</u>
Sub-Total	<u>(204,674,903)</u>
Other Adjustments	
One-time revenues, costs or savings ⁴	(5,567,479)
Supplementary Appropriations (not adjusted above)	<u>0</u>
Sub-Total	<u>(5,567,479)</u>
Total Adjustments	<u>(210,242,382) (B)</u>
SAC Spending - Base Year (A - B)	<u>\$863,042,925 (C)</u>
Growth Factor ²	x 1.0496 (D)
SAC Spending Guideline - FY 2000 (C x D)	<u>\$905,849,854 (E)</u>
FY 2000 Preliminary General Fund Revenue Estimate	1,089,000,000 (F)
FY 2000 GF Resources Above Guideline (F - E)	183,150,146

¹ Includes the effects of Bills 87 and 104-98, and 4-99

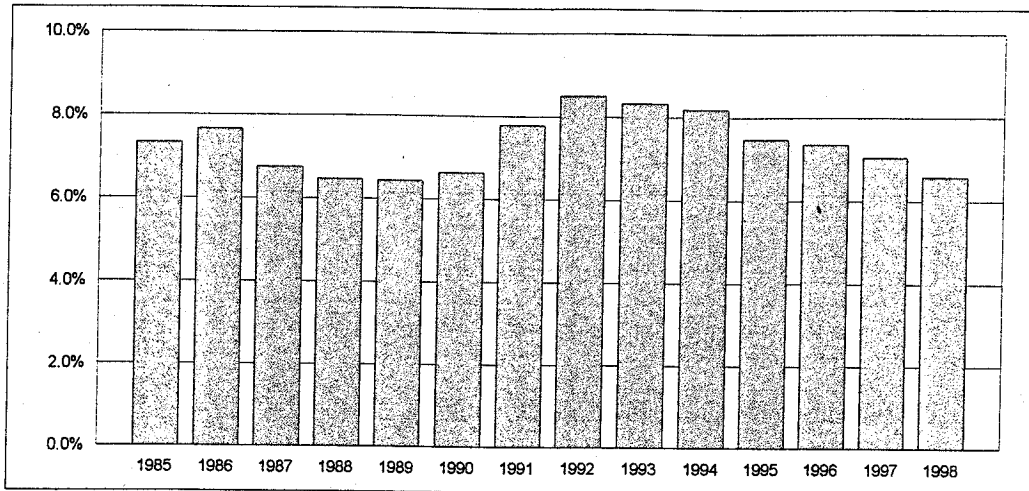
² FY 2000 Baltimore County personal income growth of 4.96% was estimated by Regional Economic Studies Institute - Towson University (RESI), February 1999.

³ FY 1999 Adopted Budget, Exhibit B, Page 3 and 4

⁴ Non-recurring FY 1999 outlay to the Board of Education

BALTIMORE COUNTY, MARYLAND

DEBT SERVICE TO TOTAL GENERAL FUND REVENUES Fiscal Years 1985 to 1998



Fiscal Year	Total General Fund Revenues	Debt Service *	Debt Service/ Revenues Ratio**
1985	\$570,915,904	\$41,881,021	7.3%
1986	590,361,657	45,212,131	7.7%
1987	633,587,471	42,782,690	6.8%
1988	688,248,138	44,511,364	6.5%
1989	733,403,105	47,229,889	6.4%
1990	792,369,875	52,580,384	6.6%
1991	820,557,654	63,953,476	7.8%
1992	801,995,002	68,239,158	8.5%
1993	844,559,646	70,338,690	8.3%
1994	864,330,812	70,757,472	8.2%
1995	891,915,401	66,654,807	7.5%
1996	919,128,524	67,681,120	7.4%
1997	963,223,099	67,876,726	7.0%
1998	1,031,219,000	67,821,000	6.6%

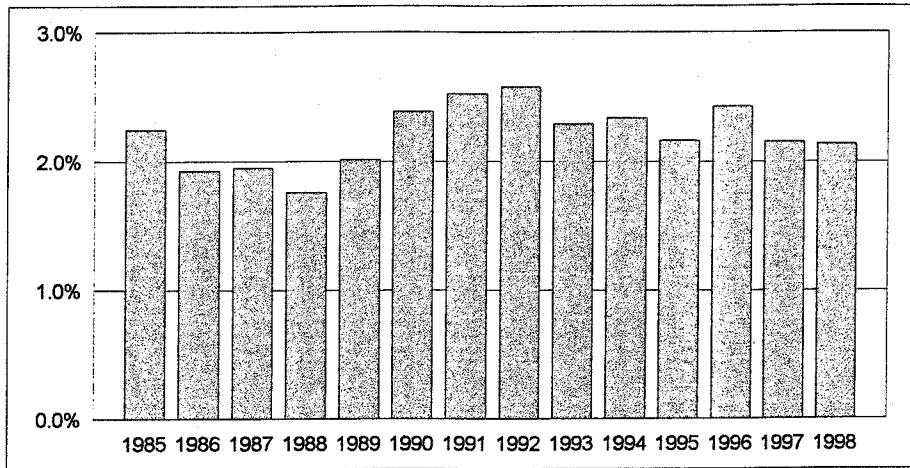
* Debt Service related to G.O. Debt (excluding Pension Bonds) and Other Borrowings; Education and Library lease costs data are not readily available but the historical ratios should not change significantly with the debt service for these lease costs.

** Administration Guideline sets ratio in range of 8.0 to 9.0%; Spending Affordability Committee Guideline advises that ratio be maintained below 10%.

Sources: Baltimore County Annual Budget Documents,
FY 1998 Baltimore County Comprehensive Annual Financial Reports

BALTIMORE COUNTY, MARYLAND

TOTAL DEBT* TO PERSONAL INCOME Fiscal Years 1985 to 1998



Fiscal Year	Debt * to Personal Income Ratios		
	G.O. Bonds	Other Borrowings	Total Debt Ratio**
1985	2.2%	0.0%	2.2%
1986	1.9%	0.0%	1.9%
1987	1.9%	0.0%	1.9%
1988	1.6%	0.1%	1.8%
1989	1.8%	0.2%	2.0%
1990	2.0%	0.4%	2.4%
1991	2.2%	0.3%	2.5%
1992	2.3%	0.3%	2.6%
1993	2.1%	0.2%	2.3%
1994	2.1%	0.2%	2.3%
1995	1.9%	0.2%	2.2%
1996	2.2%	0.2%	2.4%
1997	2.0%	0.2%	2.2%
1998	2.0%	0.1%	2.1%

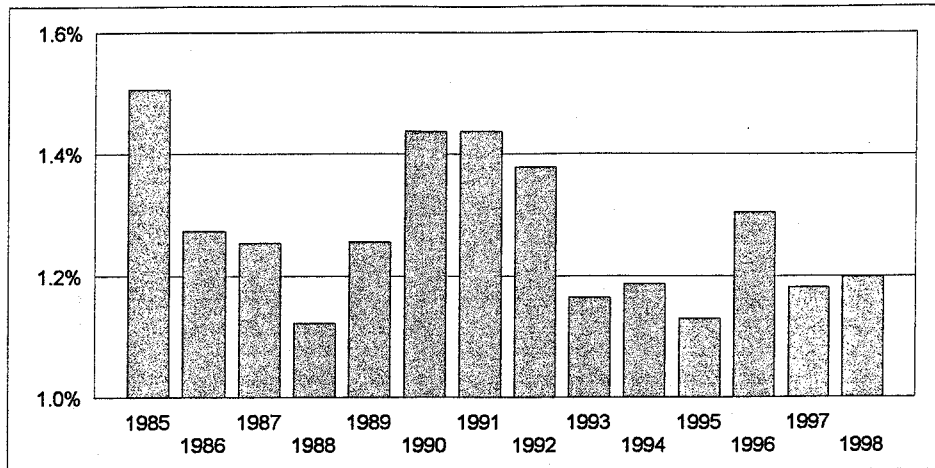
* Excluding Pension Bonds

** Administration Guideline sets ratio in the range of 2.0 to 2.5%; Spending Affordability Committee Guideline advises that ratio be maintained below 3.0%. This percentage applies to General Obligation Bonds and other borrowings, but excludes pension bonds.

Sources: Baltimore County Comprehensive Annual Financial Reports; Regional Economic Studies Institute - Towson University (RESI)

BALTIMORE COUNTY, MARYLAND

TOTAL DEBT* TO FULL VALUE Fiscal Years 1985 to 1998



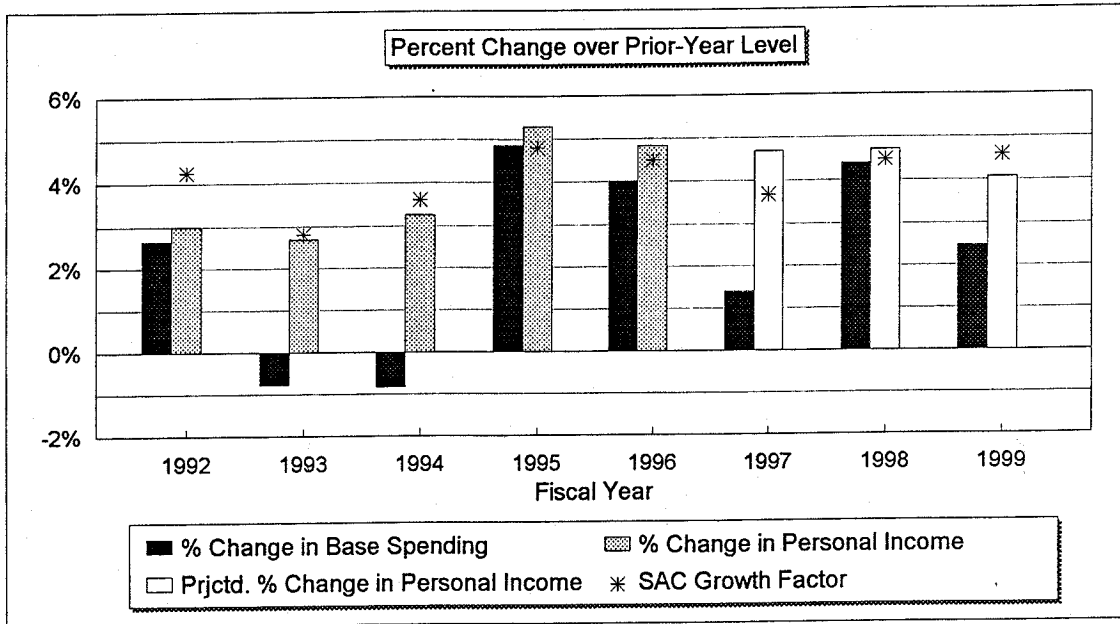
Fiscal Year	Debt* to Full Value Ratios		
	G.O. Bonds	Other Borrowings	Total Debt Ratio**
1985	1.5%	0.0%	1.5%
1986	1.3%	0.0%	1.3%
1987	1.2%	0.0%	1.3%
1988	1.0%	0.1%	1.1%
1989	1.1%	0.1%	1.3%
1990	1.2%	0.2%	1.4%
1991	1.3%	0.2%	1.4%
1992	1.2%	0.1%	1.4%
1993	1.0%	0.1%	1.2%
1994	1.1%	0.1%	1.2%
1995	1.0%	0.1%	1.1%
1996	1.2%	0.1%	1.3%
1997	1.1%	0.1%	1.2%
1998	1.1%	0.1%	1.2%

* Excluding Pension Bonds

**Administration Guideline sets ratio in range of 1.4 to 2.0%; Spending Affordability Committee Guideline advises that ratio be maintained below 2.5%. This percentage applies to General Obligation Bonds and other borrowings, but excludes pension bonds.

Source: Baltimore County Comprehensive Annual Financial Reports

Baltimore County, Maryland Base Spending Versus Personal Income



Fiscal Year	Base Spending* (in thousands)	% Change Over Prior-Year Level	SAC Growth Factor	Personal Income** (in millions)	% Change Over Prior-Year Level
1991	\$722,358	--	--	\$16,887	--
1992	\$741,475	2.65%	4.25%	\$17,393	2.99%
1993	\$735,648	-0.79%	2.80%	\$17,860	2.68%
1994	\$729,454	-0.84%	3.60%	\$18,442	3.26%
1995	\$764,883	4.86%	4.80%	\$19,418	5.29%
1996	\$795,527	4.01%	4.50%	\$20,355	4.83%
1997	\$806,706	1.41%	3.67%	\$21,290	4.59%
1998	\$842,218	4.40%	4.49%	\$22,297	4.73%
1999	\$863,043	2.47%	4.60%	\$23,247	4.26%
2000	\$905,850	4.96%	4.96%	\$24,400	4.96%

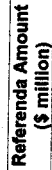
The level of base spending for FY 1991 through FY 1997 was recalculated using the current SAC approach.

* Source: Baltimore County Office of Budget and Finance, Adopted Budgets, FY 1993 - FY 1999

** Source: Regional Economic Studies Institute - Towson University (RESI)

Estimate
Forecast
FY 2000 Guideline

CONSOLIDATED PUBLIC IMPROVEMENTS BOND REFERENDA -
AUTHORIZED AND UNISSUED DEBT AMOUNTS
November 1986, 1988, 1990, 1992, 1994, 1996 AND 1998

Office of the County Auditor, 02/08/99